

SENATE FINANCE COMMITTEE
February 23, 2021
9:02 a.m.

[9:02:28 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Click Bishop, Co-Chair

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Chad Hutchison, University of Alaska, Juneau.

PRESENT VIA TELECONFERENCE

Mark Davis, Department of Transportation and Public Facilities, Anchorage; Christopher McConnell, University of Alaska Anchorage, Anchorage; Cameron Wohlford, University of Alaska Fairbanks, Fairbanks; Nathan Leigh, University of Alaska Southeast, Juneau.

SUMMARY

^DEFERRED MAINTENANCE

[9:04:37 AM](#)

Co-Chair Stedman wished Mr. Steininger a happy birthday.

9:04:50 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET (OMB), OFFICE OF THE GOVERNOR, discussed the PowerPoint presentation, "State of Alaska, Office of Management and Budget; FY2022 Deferred Maintenance Update; February 23, 2021" (copy on file).

Mr. Steininger looked at slide 2, "Deferred Maintenance: Overview":

Deferred maintenance is maintenance or repair projects that have been delayed or postponed due to lack of funds within an entity's normal operating budget cycle.

State of Alaska property portfolio:

- 2,400+ facilities (includes University)
- 20 million square feet of space
- 14 State Agencies
- Type varies by Agency

Mr. Steininger pointed to slide 3, "Deferred Maintenance: Funding Recommendations and Targets":

There is no one definitive rule on the level of preventive maintenance necessary to avoid deferred maintenance, but a 2012 National Research Council publication references a range of 2-4 percent of replacement cost value

FY2020 replacement cost value (excluding University):
\$7,676,805,791

2 percent = \$153.5 million

4 percent = \$307.1 million

9:09:02 AM

Mr. Steininger addressed slide 4, "Deferred Maintenance: Backlog \$597,404.3 (excluding University's \$1.4 billion)." He shared that the Department of Transportation and Public Facilities (DOT) had the vast majority of the deferred maintenance backlog, because DOT had the majority of the state facilities, outside of the University. He shared that DOT had a little over \$250,000 in deferred maintenance backlog. He remarked that the Department of Administration

(DOA) also had the next largest share of the backlog, because DOA managed the state office buildings. He stated that there were other facility-heavy departments, such as the Department of Natural Resources (DNR), which had many remote facilities requiring maintenance.

[9:10:33 AM](#)

AT EASE

[9:10:41 AM](#)

RECONVENED

[9:10:47 AM](#)

Co-Chair Stedman noted that the committee members had the referenced spreadsheet in their folders.

Senator von Imhof wondered whether the Department of Corrections (DOC) included the Palmer Correctional Center.

Mr. Steininger replied that the facility was not yet open. He pointed out that the list did not include many major maintenance at the facility, because most of that work was accommodated through the reopening of the facility. He explained that specific capital designations may not be considered deferred maintenance, but the list might include some maintenance items.

Senator Wilson wondered whether the administration looked at a methodology of combining deferred maintenance into one category.

Mr. Steininger replied in the affirmative. He furthered that it was an ongoing challenge.

Mr. Steininger looked at slide 5, "Deferred Maintenance: Governor's Proposed Budget." He noted that in FY 21 there were not any appropriations for deferred maintenance, so any deferred maintenance utilized in that year's budget was used from leftover funds from other deferred maintenance appropriation.

[9:15:27 AM](#)

Co-Chair Stedman looked at the "fast track supplemental", which had effective dates before July. He wondered whether

there was a need for the projects to be in the "fast track supplemental" or whether it was a budgetary decision.

Mr. Steininger replied that there was an actual need and benefit for some of the projects to have an earlier effective date.

Co-Chair Stedman felt that there would need to be a balance of the need for the funds versus the budgetary clarity.

Senator von Imhof queried the source of money for the Alaska Capital Income Fund.

Mr. Steininger replied that the fund was primarily funded by deposits from the Permanent Fund from the State vs. Amerada Hess settlement.

Senator von Imhof wondered whether the Alaska Capital Income Fund was a sweepable fund.

Mr. Steininger replied in the affirmative.

Senator von Imhof wondered whether there would be a "hole" in the budget of \$56 million, should those funds not be swept.

Mr. Steininger replied in the affirmative.

Co-Chair Stedman queried the total "hole" that would be created in the budget, should there be no reverse sweep.

Mr. Steininger replied that he did not recall the number, but agreed to provide that information.

Co-Chair Stedman recalled that it was approximately \$140 million.

[9:20:40 AM](#)

Senator Wilson queried the current balance of the Alaska Capital Income Fund, and the level of sustainable draw for the account.

Mr. Steininger replied that, generally, there was not much of a balance in the Capital Income Fund. He explained that over recent years, the full balance was used for appropriation.

Co-Chair Stedman remarked that the fund was created as a holding account to use the funds for the capital budget.

9:23:19 AM

MARK DAVIS, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, ANCHORAGE (via teleconference), discussed slide 6, "Deferred Maintenance: Statewide Approach":

Deferred Maintenance moving forward into FY2022

Collaborating with OMB and the State Facilities Council

Prioritizing deferred maintenance projects across all executive branch agencies

Facilities Council deferred maintenance workshops anticipated February through May, with goal of submitting Statewide prioritized list to OMB May 2021

Projects to be prioritized based on combination of significant factors including facility importance, building system, and urgency to create a *Project Index Value (PIV).

Mr. Davis highlighted slide 7, "Deferred Maintenance: Transition to Enterprise System":

Where we are going

The State's Enterprise Computerized Maintenance Management System (CMMS) currently in use
AssetWorksAiM

Includes modules for managing assets, housing, and prioritizing statewide facilities deficiency and renewal needs

Further training on the system this year to transition toward using it for deficiencies and deferred maintenance project needs

Mr. Davis discussed slide 8, "Property Disposal Directive: Status":

- February 12, 2019 Property Disposal Directive

Directed Executive Branch to investigate options available for reducing the State's assets by identifying properties that could be divested

- A multi-departmental workgroup was formed, inclusive of State Facility Council members and project managers from the DOT/PF Division of Facilities Services

Property Disposal Report with 'Consider' Candidates submitted late 2019 and updated 2020

- Next Steps:

OMB discussions with individual Departments on the Consider candidates, any further cost benefit analyses, and approvals of selected Consider candidates

Resource and implement the disposal of the approved properties

Senator von Imhof wondered whether some space had been added to the potential disposal list because COVID had turned to telework, so there may not be a requirement for all the facilities.

Mr. Davis replied that there had not been a revisiting of the list for the disposal initiative.

Co-Chair Stedman surmised that the list that was submitted the year prior was the current list.

Mr. Davis replied in the affirmative.

Co-Chair Stedman asked that the list be resubmitted to the committee.

Mr. Davis agreed to provide that information.

Co-Chair Stedman remarked that the list may be examined in the subcommittee process.

[9:29:30 AM](#)

CHAD HUTCHISON, UNIVERSITY OF ALASKA, JUNEAU, pointed to slide 9, "UA's Facilities Overview":

- Facilities across the University of Alaska are extensive and a unique subset of public facilities

- 397 facilities totaling over 8 million square feet, valued at over \$4 billion, and average age 35-years old

- Facility type varies from residential housing, general offices and classrooms to complex laboratories

- Deferred Maintenance, Renewal, and Repurposing

- Backlog over \$1.3 billion

- FY22 funding request \$50 million

- Sold 10 facilities (38,000 gross-square feet)

- Demolished 13 aged facilities (28,000 gross-square feet)

- Emergency repairs are becoming more common place as major components and systems surpass their normal life-span.

- Resources are going toward reactive rather than preventative maintenance, increasing the risk of higher costs in the future and reducing UA's resiliency.

- Fiscal Responsibility

- Leasing space to third parties and exploring public-private partnership opportunities

- Exploring and implementing energy efficiencies

Senator von Imhof remarked that the federal government may provide subsidies for upgrading to energy efficient buildings. She wondered if that would be a part of the utilization.

Mr. Hutchison replied that the funds would be used if the subsidies became available.

Senator von Imhof stressed that the Elmer Road extension was a prime piece of real estate. She felt that it would be a significant positive impact.

Mr. Hutchison was not in a position to remark on that issue, and agreed to provide a more detailed response.

Senator von Imhof wanted to evaluate the future potential of the university, as land was getting "squeezed" in Anchorage.

Mr. Hutchison agreed.

Senator Olson wondered whether there would be an issue of competing with the private sector with public money.

Mr. Hutchison replied that there was an evaluation of what could benefit all Alaskans.

9:36:04 AM

CHRISTOPHER MCCONNELL, UNIVERSITY OF ALASKA ANCHORAGE, ANCHORAGE (via teleconference), looked at slide 10, "UA Anchorage Deferred Maintenance Projects":

Building Interior and Systems Renewal \$6.45M

- Energy Service Company (ESCO) investment: Eugene Short Hall, Wendy Williamson Auditorium, Professional Studies Building, and Social Sciences Building (\$2.96M in G.O. Bond bill)
- UAA/APU Consortium Library: core mechanical upgrades
- Rasmuson Hall: elevator and infrastructure upgrades to improve reliability

Building Envelope and Roof Systems Renewal \$2.35M

- Lucy Cuddy and campus spine roofs; repair and replace roofs, doors, windows, vapor barriers, siding, weatherization, and insulation

Campus Security and Safety \$1.9M

- Access Control and Keyway Software/Hardware Installation
- Review, design, and implement security measures for buildings, classrooms, and other facilities

Regulatory Compliance, Safety Improvements, and Code Upgrades \$2.1M

- Electrical Safety, Exit Signage, and ADA Improvements

Community Campus Regulatory Compliance \$3M

- Kodiak, Kenai, Homer, Mat-Su and Valdez Electrical, Exit Signage, and ADA Improvements.

Campus Exterior Infrastructure and Signage Renewal
\$0.5M

- Repair and upgrade storm sewer drains and improve water supply systems

Senator von Imhof wondered whether Coronavirus Aid, Relief, and Economic Security (CARES) Act money could be used for the HVAC system.

Mr. McConnell replied that the department was actively exploring that option.

Co-Chair Stedman asked that a more specific answer be provided to the committee.

Mr. Hutchison agreed to provide that information.

[9:40:15 AM](#)

CAMERON WOHLFORD, UNIVERSITY OF ALASKA FAIRBANKS, FAIRBANKS (via teleconference), looked at slide 11, "UA Fairbanks Deferred Maintenance Projects":

Building Interior and Systems Renewal \$20.1M (\$18.7 in G.O. Bond bill)

- Renewal and modernization of largest residence halls due to failing plumbing systems

Campus Infrastructure and Exterior Renewal \$4.4M

- Existing sanitary sewer line is severely degraded wood-stave pipe
- Centralized chilled water utilities to reduce energy consumption

Safety and Regulatory Compliance \$1.9M

- 30 fire alarm panels have reached end of life; maintaining alarm systems required for building occupancy
- Interior doors and hardware will be replaced to improve campus security and install a new keying system

Rural and Community Campus Renewal \$2.2M

- Rural Campus fire alarm panels have reached end of life; maintaining alarm systems required for building occupancy
- Kuskokwim Campus Vocational Ed Center electrical system replacement to meet code and programmatic challenges

Building Envelope and Roof Systems Renewal \$1.6M

- UAF has a multi-year plan to replace exterior door locks to reduce maintenance and increase building security
 - Window and roof replacements for end-of-life and to reduce energy consumption
- Community and Technical College Renewal \$300k
- CTC University Park renewal of the original restroom facilities that serve growing programs in workforce development

[9:45:04 AM](#)

Senator von Imhof noted a challenge that UAF was heated by coal.

Mr. Wohlford agreed.

Senator von Imhof wondered whether UAF would utilize the gas storage facility.

Mr. Wohlford replied in the affirmative.

Co-Chair Stedman asked for the cost factor dealing with coal, and the conversion for natural gas.

Mr. Wohlford agreed to provide that information.

[9:47:36 AM](#)

NATHAN LEIGH, UNIVERSITY OF ALASKA SOUTHEAST, JUNEAU (via teleconference), pointed to slide 12, "UA Southeast Deferred Maintenance Projects":

Building Envelope and Roof Systems \$0.7M

- Novatney roof is more than a decade past its warranty date
- Paul building mansards are crumbling under Ketchikan weather
- Mourant window replacement phase 3; new windows provide greater energy efficient and are more suitable to the current use

Safety and Regulatory Compliance \$1.6M

- Welding laboratory fire alarm replacement; manufacturer no longer supports this 20+ year old system
- Paul Building (Ketchikan) entry reconstruction to meet ADA requirements

- Emergency notification speakers in Mourant Cafeteria
- Exterior Infrastructure \$0.7M
- Six projects consisting of repairing or replacing asphalt parking lots, concrete sidewalks, roads and street lighting, ADA access ways, and covered stairways
- Interior Systems \$0.2M
- Elevators in Paul and Soboleff buildings are more than 49 years old, Repair technicians say future repairs could be impossible due to lack of replacement parts.
 - Boilers in TEC and Housing are 30+ years old and need replacing

[9:50:42 AM](#)

Co-Chair Stedman queried the submitted amount for inclusion in the governor's budget for the UA deferred maintenance budget.

Mr. Hutchison replied that the committee had a sheet that showed the overall deferred maintenance, and agreed to provide that information.

Co-Chair Stedman wondered whether the list was available for the committee.

Mr. Hutchison replied in the affirmative.

[9:53:14 AM](#)

AT EASE

[9:56:18 AM](#)

RECONVENED

[9:57:06 AM](#)

Co-Chair Stedman would like a general rundown of the document titled, "University of Alaska Prioritized Capital Projects that are General Obligation (GO) Bond Eligible" (copy on file). He remarked that there would be a discussion regarding the capability of using CARES Act funds for the deferred maintenance.

Mr. Hutchison discussed the document. He remarked that there was an outline of two scenarios. He looked at page 2,

which was titled, "University of Alaska Prioritized Capital Projects that may not Meet All General Obligation Bond Criteria."

Senator Wilson wondered whether the G.O. bonds were already included in the package.

Co-Chair Stedman shared that the bond package was still under discussion.

Mr. Hutchison clarified that the aske was in the \$50 million range.

Co-Chair Stedman requested a revised priority list.

[10:05:37 AM](#)

Mr. Hutchison agreed to provide that information.

Co-Chair Stedman thought it would be helpful to all budget discussions to have an updated list.

Senator von Imhof mused that there had been discussion of using CARES Act monies for the university.

Mr. Hutchison agreed, and stated that there was a current exploration of that option.

Co-Chair Stedman asked that the potential projects be highlighted that could be funded by the CARES Act money.

Mr. Steininger stated that the remaining slides would address that question.

Mr. Steininger addressed slide 16, "Deferred Maintenance: State Owned Facilities."

Mr. Steininger looked at slide 17, "Deferred Maintenance: Facility Types."

[10:10:01 AM](#)

Co-Chair Stedman surmised that the other agencies were much larger than the university.

Mr. Steininger replied in the affirmative. He furthered the university had a larger square footage than any individual agency.

Mr. Steininger pointed to slide 18, "Deferred Maintenance: Funding History."

Co-Chair Stedman wondered whether there be something similar from 1998 to 2005.

Mr. Steininger replied that it might be difficult to access the data, but felt that there were similar deferred maintenance at that time.

Mr. Steininger stated that slides 19 through 24 went into detail about the calculations to performed to examine the factors to determine the priorities.

Co-Chair Stedman asked for information about slide 24.

Mr. Davis stated that slide 24, "Deferred Maintenance: Statewide Approach - Example" was a list of actual projects.

[10:15:53 AM](#)

Senator Wielechowski wondered when the methodology was adopted by the state, and whether it was standard in other industries or states.

Mr. Davis replied that the methodology was adopted in early 2020.

Co-Chair Stedman queried the previous methodology.

Mr. Davis replied that, previously, the prioritization across the state were fractionalized so there was no consistent methodology.

Senator Wilson wondered whether the mission alignment index was more of a subjective system.

Mr. Davis responded that there was always some subjective issues, but felt that the new system helped with cohesion across departments.

Senator Wilson wondered how there was some certainty that the departments aligned their priorities.

Mr. Davis agreed, and stated that there would be discussions about mission alignment and values.

Mr. Steininger discussed slide 25, "Property Disposal Directive: Methodology":

- Methodology involved departments categorizing their facilities into 'Consider' or 'Non-Consider' categories

Consider: These buildings were identified by departments as candidates for divesting. Candidate buildings may be appropriate for demolition, space consolidation, or selling.

Non-Consider: Identified by departments as non-candidates. Departments were asked to provide justifications for each non-consider building.

Co-Chair Stedman requested an updated list.

[10:24:04 AM](#)

Mr. Steininger looked at slide 26, "Property Disposal Directive: The Divestment Process":

- Executive Branch follows an established process for divesting buildings through the Departments of Administration and land through Department of Natural Resources with exception of:

Buildings on airport land under DOT and PF authority (AS 02.15.060.070)

Buildings acquired by DOT and PF from the acquisition of land for highway projects (AS 19.05.070)

Education buildings (AS14.07.030)

DNR buildings which improve state lands (AS 38.05.035)

Federally funded buildings, in which each federal agency has its own rules and may require federal funds to be refunded. For example, DMVA federal use or funded armories, in which DMVA is following federal guidelines in their current facilities divestment program.

- For those facilities with little value or unlikeliness to sell, other factors for consideration include suspension of all maintenance and repair costs, liability associated with vacant structures and demolition costs.

10:25:02 AM

Co-Chair Stedman requested the status of the Governor's Mansion and the Wickersham House.

Mr. Steininger agreed to provide that information.

Mr. Steininger pointed to slide 27, "Deferred Maintenance: Known Disposed Assets":

- Department of Health and Social Services Ketchikan Youth Center Returned to the City
- Department of Health and Social Services Nome Youth Facility in-progress
- Department of Fish and Game Birch Lake Land Parcel
- Department of Natural Resources Sold Facility Associated with the Agriculture Revolving Loan Fund
- Department of Military and Veterans Affairs Divested 15 Army National Guard Facilities with 50 Others Planned or In Progress
- Department of Transportation and Public Facilities Sold Two Facilities from Kulis-Anchorage
- University of Alaska Reduced Space through Property Sales, Elimination of Leases, and Demolition

Senator von Imhof requested the list by year. She wondered whether there were any buildings that were currently on the market.

Mr. Steininger agreed to provide that information.

Co-Chair Stedman shared the following day's agenda. He stated that there would be a video presentation.

#

ADJOURNMENT

10:29:11 AM

The meeting was adjourned at 10:29 a.m.